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Company Announcements Office
ASX Limited
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Freedom Foods Group Limited Proposed New Company to Expand Australia's Own Brand in China

Freedom Foods Group Limited (ASX Code: FNP) (Freedom Foods) today announces that it has entered into a memorandum of understanding with our Guangzhou based partner, Shenzhen JiaLiLe Food Co. Ltd (JLL), for the establishment of a new company to expand the Australia's Own ("AO") brand as a leading high quality imported brand of choice for Children's Nutrition in China.

Under the proposed arrangement, a new Company, Australia's Own Dairy Company China ("AO China") will be established to operate the existing business operations of JLL in China, while providing a stronger strategic link between brand operations in China and supply and processing in Australia.

Freedom Foods and JLL established their initial long term co-operation in 2014, with the launch of AO Kid's Milk in China in early 2015. The product has been launched in a small number of key provinces in China including Zhejiang, Hunan and Jiangsu, with considerable marketing investment by JLL, including point of sale promotion and sampling, external promotion and TV commercials.

Volumes developed throughout the 2015 calendar year, with a strong momentum into early 2016, as the product started to gain acceptance with consumers, particularly in large format retail supermarkets in the key provinces targeted. With significant ongoing marketing investment including point of sale promotion, sampling and sponsorship of leading children's TV programmes, the growth trajectory has continued into the 2016 calendar year, with the product now becoming the largest imported Kid's Milk brand in China.

JLL currently employs close to 900 employees (including full time and part time promotional personnel) directly engaged in the sales, marketing and distribution of AO Kid's Milk in China.

The proposed AO China operations will continue the sales, marketing and distribution of AO branded Kid's Milk products in China. Existing brand licence arrangements for the AO brand and the Chinese language brand will be transferred to AO China.

Building off the strong consumer uptake for the brand in the 3-7 year age bracket, the business is developing plans for the launch of other dairy products including Ambient Drinking Yoghurt products in the 7-12 year age bracket and Infant Formula.



Under the proposed arrangements, Freedom Foods will retain exclusive production rights for all dairy products packaged and marketed under the “Australia’s Own” brand in China. With a forecast significant increase in demand for the existing Kid’s Milk product beyond 2016, Freedom Foods will install additional high speed 200ml capacity at its new Ingleburn site in 2017. From late 2016, the Kid’s Milk product will utilise milk sourced only from the Freedom Foods’ AFMH / Moxey Farm operation.

Freedom Foods will subscribe for an initial 10% investment in AO China for a consideration of RMB 22 million (AUD\$4.3 million at current exchange rates). Freedom Foods will have an option to subscribe for up to 30% of AO China within 3 years from the date of the initial subscription.

Freedom Foods will have board representation on AO China.

The balance of shareholding will be held by existing JLL shareholders which includes the China based senior management team and Board of JLL.

It is intended that AO China would potentially seek a listing on an international stock exchange in the medium term.

Subject to finalisation of definitive documentation, the proposed AO China entity is expected to be in operation from early 2017.

All Australia’s Own branded sales activities in markets outside of China will continue to be conducted through Freedom Foods.

For further information, please contact:

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